

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0373-01
Bill No.: HB 191
Subject: Elderly; Taxation and Revenue - Income and Property
Type: Original
Date: January 31, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$30,745,774)	(\$30,731,971)	(\$30,737,306)
Total Estimated Net Effect on General Revenue Fund	(\$30,745,774)	(\$30,731,971)	(\$30,737,306)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation increases the maximum upper limit for senior citizens property tax relief from \$25,000 to \$30,000 and the minimum base from \$13,000 to \$18,000, beginning January 1, 2003. It also increases the exemption for a claimant's spouse residing at the same address to \$4,000 and changes the percentage used in the credit calculation from 1/16 percent to 1/32 percent. DOR assumes the Office of Administration, Budget and Planning will estimate the revenue impact. However, DOR notes that the effective date of this legislation is retroactive, which may impact FY03.

DOR assumes this legislation would increase the number of eligible PTC claims. DOR will have to modify the PTC tables on the MINITS and PC systems. DOR estimated that 346 hours of programming at a cost of \$11,543 will be needed. Personal Tax will need One Tax Season Temporary for every 30,000 additional claims filed and one Tax Processing Tech I for every 20,000 additional errors generated by this legislation (PTC has a 25% error rate).

DOR assumes this legislation will create additional walk-ins and phones calls for the new qualifiers in the tax assistance areas. One Taxpayer Service Rep I will be need for every 2,150 walk-ins to help complete their claims and One Tax Collection Tech I for every 24,000 additional calls received on the income tax hotline (751-3505 and 751-7200).

ASSUMPTION (continued)

Oversight assumes the DOR will need 12 additional Tax Season Temporaries to handle the increase in claims filed. Oversight has included in this fiscal estimate the administrative costs for programming and implementation costs of \$11,543.

Oversight has, for fiscal note purposes only, changed the starting salary for the four FTE positions requested by DOR to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

State Tax Commission (TAX) officials assume this legislation increases the maximum income level for qualifying for senior citizens/disabled persons property tax credit and will create losses to the General Revenue Fund. TAX states there is no way of telling how large the fiscal impact would be for state or local political subdivisions because TAX does not have any figures on income, so TAX does not know how many senior citizens would qualify for the increased circuit breaker.

Officials from the **Department of Health and Senior Services (DOH)** did not respond to our fiscal note request. However, DOH, in a prior similar proposal, assumed the proposed legislation raises the maximum upper limit to \$30,000 for the circuit breaker relief for the elderly for each year after December 31, 2002. Although the proposed legislation would result in no fiscal impact to DOH.

DOH assumed that the Department of Revenue will determine the costs associated with the raise in the maximum upper limit of \$30,000 to be eligible for this tax relief. The proposed legislation would result in no additional fiscal impact to the DOH.

Officials from the **University of Missouri Research Center (UMRC)** state this legislation raises the maximum upper limit to \$30,000 for the circuit breaker relief for the elderly and raises the lower limit to \$18,000. UMRC officials assume this legislation, as written, will decrease revenue by \$30.5 million annually.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Increase in Property Tax Credit	(\$30,519,044)	(\$30,519,044)	(\$30,519,044)
<u>Cost - Dept. of Revenue</u>			
Personal Service (12 Temp)	(\$93,420)	(\$95,756)	(\$98,149)
Personal Service (4 FTE)	(\$66,615)	(\$81,936)	(\$83,985)
Fringe Benefits	(\$26,959)	(\$33,159)	(\$33,989)
Expense and Equipment	(\$28,193)	(\$2,076)	(\$2,139)
Programming changes	(\$11,543)	\$0	\$0
Total Costs - DOR	<u>(\$226,730)</u>	<u>(\$212,927)</u>	<u>(\$218,262)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$30,745,774)</u>	<u>(\$30,731,971)</u>	<u>(\$30,737,306)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill changes the elements of qualification and the amount of credit allowed under the senior citizen/disabled person property tax credit, commonly known as circuit breaker. The bill:

- (1) Increases the amount of exemption allowed for a married couple from \$2,000 to \$4,000;
- (2) Increases the maximum income allowed to claim a credit from \$25,000 to \$30,000; and
- (3) Increases the minimum base from \$13,000 to \$18,000.


The minimum base is the maximum level of income at which the taxpayer receives as a credit all property taxes paid up to the maximum of \$750.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
University of Missouri
Research Center

NOT RESPONDING:
Department of Health and Senior Services



Mickey Wilson, CPA
Director
January 31, 2003